

## **CITY COUNCIL AGENDA MEMORANDUM**

### **SUBJECT**

Resolution No. 8748 authorizing execution of a two-year contract with an option to renew for two additional years with Morris Piha Real Estate Services for the management and leasing of the Lincoln Center property.

### **FISCAL IMPACT**

Approval of this action obligates the City to a two-year contract with an estimated value of up to \$750,000 per year, including taxes, with an option for one two-year renewal. The contract value is based on the property management consultant's service fee of \$2,500 per month or 4% of the gross annual rental revenue collected, leasing commissions on new leases and renewals (or approximately \$35,000 per year), and all operating expenses required to operate the Lincoln Center property. The majority of the total contract value, or up to approximately \$600,000 per year, will consist of the direct property operating costs such as maintenance, repairs, utilities and tenant services.

The City anticipates that Sound Transit will demolish one of the two Lincoln Center buildings in approximately 2016 as part of East Link construction. That will reduce rental revenue as well as associated operating expenses. All costs incurred under this contract are fully funded by lease revenue generated by the property and will have no impact to the General Fund. Costs for these services were anticipated and included in the 2013-2014 Budget. Future costs will be requested in the 2015-2016 Budget and will be subject to final budget appropriation.

### **STAFF CONTACTS**

Nora Johnson, Director, 452-4167

Max Jacobs, Real Property Manager, 452-4182

Marley Jo Marinacci, Senior Real Property Agent, 452-5269

*Civic Services Department*

### **POLICY CONSIDERATION**

#### **City purchasing policy**

City purchasing guidelines specify that all service contracts exceeding \$50,000 must be approved by Council.

#### **Council policy**

Resolution No. 7825 authorized the City Manager or his designee to approve all leases associated with this property.

### **BACKGROUND**

The City purchased the Lincoln Center property, located at 555 116th Avenue NE, Bellevue, in August 2008 to satisfy several potential future needs, including the NE 6th Street extension project. The property consists of two 2-story office buildings totaling approximately 70,000 square feet on an estimated 4.32 acre site.

The City typically contracts with outside property management firms to manage rented properties, with services including collecting rent, responding to tenant requests and after-hours emergencies, coordinating maintenance and repairs, and ensuring compliance with property rules, regulations and lease agreements. With regard to commercial properties such as Lincoln Center, such outside services also involve marketing and leasing the property and maintaining lease records and accounts.

At this time, there are not sufficient City staff to perform these tasks in an effective and efficient manner. The City proposes to enter into an agreement with a new property management firm, Morris Piha Real Estate Services, for continued leasing and property management services. The initial term of two years will be effective July 1, 2014, expiring June 30, 2016, with the option to renew for one additional two-year term.

City staff selected Morris Piha Real Estate Services to serve this role at the conclusion of an Request for Proposal (RFP) process that was advertised in local newspapers and placed on the City website. When no firms submitted timely proposals, City staff identified Morris Piha Real Estate Services as qualified to effectively deliver the scoped services based on the firm's experience, ability to manage the property efficiently, knowledge of the local commercial real estate market, and their proposed management approach of continuing to maximize the asset's revenue pending construction of other projects. The City has informed Morris Piha Real Estate Services that one of the two Lincoln Center buildings will be demolished by Sound Transit in approximately 2016 as part of East Link construction.

The proposed contract includes the following scope of work:

1. Property Management: Manage communication with tenants, including responding to tenant concerns; coordinate repairs; manage all operations and maintenance functions; maintain lease files; collect rents, late fees and other property-related income; inform City of issues, including delinquencies, and promptly recommend solutions.
2. Marketing and Leasing: Market vacant space for the purpose of bringing in new tenants; negotiate new leases and lease renewals to optimize income of the property; develop and implement leasing strategy focusing both on tenant retention and on securing new tenants.
3. Accounting and Reporting: Establish accounts payable processes acceptable to the City; handle all vendor contracts, invoicing, and payment disbursements; develop budgets; provide property management reports in format acceptable to City.

#### **EFFECTIVE DATE**

If adopted by Council, this Resolution will become effective immediately.

#### **OPTIONS**

1. Approve Resolution No. 8748 authorizing execution of a two-year contract with an option to renew for two additional years with Morris Piha Real Estate Services for the management and leasing of the Lincoln Center property.
2. Reject Resolution No. 8748 and provide alternative direction to staff.

**RECOMMENDATION**

Approve Resolution No. 8748 authorizing execution of a two-year contract with an option to renew for two additional years with Morris Piha Real Estate Services for the management and leasing of the Lincoln Center property.

**MOTION**

Move to approve Resolution No. 8748 authorizing execution of a two-year contract with an option to renew for two additional years with Morris Piha Real Estate Services for the management and leasing of the Lincoln Center property.

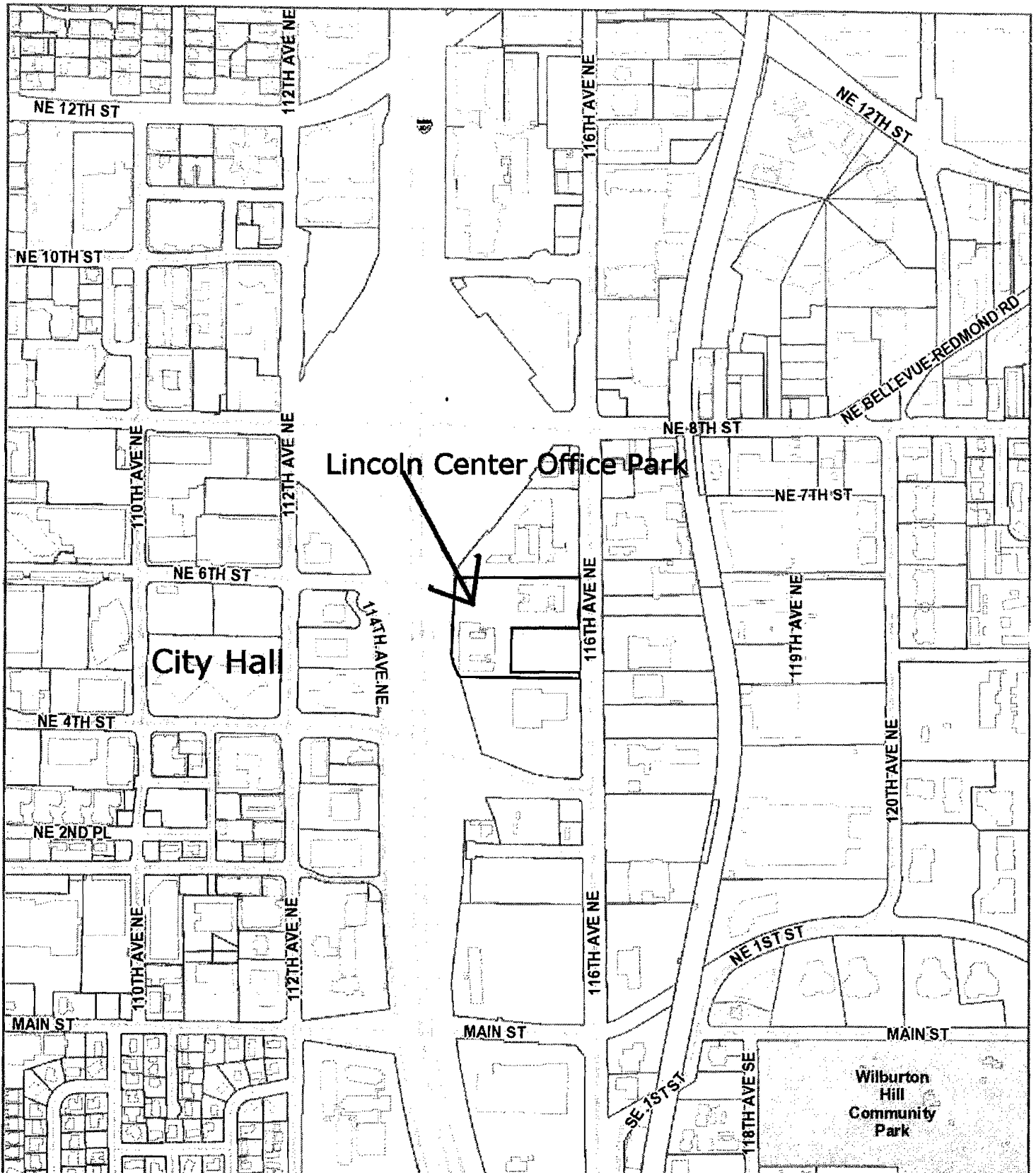
**ATTACHMENTS**

Vicinity Map

Resolution No. 8748

**AVAILABLE IN COUNCIL DOCUMENT LIBRARY**

Property Management Contract



## Lincoln Center Office Park



0 280 560

Scale 1: 6,722 Feet

Map Generated on: 05/13/2014

The City of Bellevue does not guarantee that the information on this map is accurate or complete. This data is provided on an "as is" basis and disclaims all warranties.

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8748

A RESOLUTION authorizing execution of a two-year contract with an option to renew for two additional years with Morris Piha Real Estate Services for the management and leasing of the Lincoln Center Property.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City Manager or his designee is hereby authorized to execute a two-year contract with an option to renew for two additional years with Morris Piha Real Estate Services for the management and leasing of the Lincoln Center property, a copy of which agreement has been given Clerk's Receiving No. \_\_\_\_\_.

Passed by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 2014, and signed in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

(SEAL)

\_\_\_\_\_  
Claudia Balducci, Mayor

Attest:

\_\_\_\_\_  
Myrna L. Basich, City Clerk